

# **Key Concepts of Business Marketing**

**A Guide for Marketers in  
the Communications Age**

**By  
Paul Sherrington, CBC**

© 1999 **Business Marketing Association**  
400 N. Michigan Ave., 15th floor, Chicago, IL 60611  
Phone: 312-409-4262, Fax: 312-409-4266  
E-mail: [bma@marketing.org](mailto:bma@marketing.org); Web: [www.marketing.org](http://www.marketing.org)

All rights reserved. This document is part of the Business Marketing Association's series of studies and white papers and is produced for the benefit of our membership. It may not be reproduced or distributed without the written permission of the Business Marketing Association. A complete list of marketing communications resource materials is available by contacting BMA.

## About The Author

Paul Sherrington has over 25 years of experience in building business through innovative and aggressive business strategies, marketing programs, and communications. He currently is Vice President - Elrick & Lavidge, a division of Aegis Communications Group, Inc. Clients include an array of business-to-business and consumer clients with specialties in high-tech and service industries.

Among his association activities, Paul is a Past Chairman of the Business Marketing Association and served on the board of directors for 10 years. He was twice President of the Atlanta Chapter of the Business/Professional Advertising Association.

Widely published on strategy, marketing, and communications, he contributed a chapter to the book, *Business-to-Business Advertising: A Marketing Management Approach*, edited by Charles Patti, Steven W. Hartley, and Susan L. Kennedy. He also provided an article included in *Quick Tips for Better Business-to-Business Marketing Communications* by Robert W. Bly. In addition to 25 awards for creative work, he was recognized by the Atlanta Chapter of the American Marketing Association for developing the "Marketing Campaign of the Year."

An honors graduate of The University of Tennessee, Paul served as the "Distinguished Lecturer/Practitioner" in Marketing at The University of Georgia from 1994 to 1997. In the latter role, he lectured at the graduate level on Business Strategy and at the senior level on Business-to-Business Marketing.

Paul and his wife Nancy live in suburban Atlanta. He may be reached via e-mail at paulsherr@aol.com or by phone at 770-509-8813.

## Everything Old Is New Again

Or is it? At first blush, that old song seems pretty much in harmony with what's going on in business marketing today. A lot of blasts from the past are becoming top hits once again as we move into the 21st century.

Take "niche marketing." Before anyone even coined the term, defense industry contractors certainly knew how to dance to the beat. So did auto parts manufacturers whose sales forces long ago knew every highway and byway that led to Detroit. Those who built mega-businesses primarily by designing and constructing power stations for a few utilities were well aware of the power of niche marketing.

How about "relationship marketing?" It's certainly not new to trade publishers who long ago began developing individualized programs for clients. Or to sellers of mainframe computers who, as part of a deal in the 70's and 80's, threw in an on-site executive to make sure all service issues were promptly addressed. In any era, the very best businesses were interactive with clients.<sup>1</sup>

So is modern business marketing replaying what we've been hearing, seeing, and doing for a long time? Are the hot ideas being re-recorded under new labels?

Is everything old new again? Definitely not!

### A New Era

Depending upon who's defining the boundaries, the Industrial Age lasted for over 200 years. The Information Age, characterized by a one-way dialog from sender to receiver, lasted for two, maybe three, decades. Many businesses and most individuals still linger there. But, for an ever-growing percentage of people in industrialized nations, the Communications Age is at hand.

The effects are already profound—and we're barely into this new era. Today, thanks in large part to powerful technologies including the Internet, borders are melting away. Geographical distances between people are evaporating.

Businesses are intra-connected through Intranets, LAN's, and WAN's. In such an environment, dramatic change is inevitable. Especially when there's more computing power in a laptop than what many mid-sized companies possessed less than 20 years ago. And that power can connect to databases all over the world—or to the home office network while traveling or visiting a client's office.

Access to data is no longer the province of the powerful but is now the enabler of empowerment for virtually all knowledge workers. As a result, the most significant economic force is quickly evolving from the corporation to the individual. Witness the outlandish bonuses and working arrangements granted top talent not only in the technology sector but also in other emerging growth fields. It should come as no surprise, though, since knowledge workers are the competitive edge in business. Today's work ethic is intellectual, not physical. Business competition is no longer about size. It's about committed people who out-think competitors. A company's ability to survive ultimately rests on the talent it attracts and retains.

In this context of new technologies and individual empowerment, business marketing is changing dramatically. Not so much with revolutionary ideas. But with evolutionary ideas driven by hot new technologies in an era in which old business marketing paradigms are rapidly melting away.

Something new is in the air. Niche marketers, using Internet connectivity, can afford to deliver the very best products, service, and support to small customer segments with wide geographical dispersal. Relationships are no longer necessarily dependent upon VAR's or the sales force. In some industries, new technologies have even eliminated the need for intermediaries between buyers and sellers. Database software, so easy to use and so readily available, now gives every key employee in an organization access to vital customer information, allowing further refinement of relationship marketing. And who knows what tomorrow will bring?

Indeed, the old songs will no longer play.

### **Business Marketing in a New Light**

This paper seeks to provide an overview of business marketing today—benchmarking where we are as we enter the 21st century variety. It will look at some of the fundamentals of the field and how they have—or haven't—changed. It will offer new ways of looking at some traditional marketing and communications concepts. It will consider the impacts of these changes on people in the field.

# Is There a Convergence with Consumer Marketing?

A decade ago, one could write of clear differences between consumer and business marketing. Today, the lines are often blurred. Let's revisit the traditional distinctions ("points") and note how they may be evolving or changing ("counterpoints"):

## The Nature of Demand

### **Points...**

1. There are times when even the best efforts in business marketing cannot increase sales. Try jump-starting revenue in building products when home sales are down. Or running an employment agency in a recession.

Blame it on "**derived demand.**" Purchases of goods made or services performed by business marketers are often "derived" from the real or anticipated activities of the ultimate consumer. When times are tough, a ripple effect goes right through the supply chain.<sup>2</sup> Those furthest from the ultimate consumer may suffer the most as others try to maintain margins despite falling sales (e.g., "Revenue is off by 20 percent so we'll cut supplier orders by 25 percent and reduce capital spending by 50 percent.").<sup>3</sup>

To be sure, demand for certain consumer products and services will slip when times are tough. But savvy consumer marketers often can create fads and "contrive" demand. Hula hoops, pet rocks, mood rings, and Beanie Babies are a few great examples of the latter. Additionally, consumer demand can be more readily stimulated through changes in styling, color, or flavor. Price promotions can drive retail sales.

In contrast, business marketers can hardly ever spark demand. Growth typically comes from increases in derived demand, an expanded market, or a product breakthrough of major importance.

### 2. Demand in business marketing is usually "**deferred.**"

A heavy sales push by makers of central station equipment will not inspire senior management of a power company to start right away on a new plant. Nor will an airline rush out and order 30 more jets because of your great ad. Nor will your totally cool Internet page get a Fortune 500 company to upgrade its computer hardware tomorrow.

In business marketing, much of the focus is on putting your company or client in position to be part of a bidding process at some point in the future.

Because of the "non-immediacy" of results, funding business-to-business communications programs requires faith by senior management. It's why so much has been written about gaining executive "commitment." Without it, sales efforts are strangled because prospects lack awareness at the start of a buying process.

A useful concept relating to timing gaps between communications messages and sales is the "**Hierarchy of Effects**" developed years ago by a former co-worker, Bob Lavidge, and Gary Steiner. It is provided for reference in Appendix 1.

In consumer marketing, reminding people of the great taste of a soft drink may facilitate sales within 24 hours. A hit on your Internet page can result in an order five minutes later. Your direct mail package will be generating revenue within a few days after being dropped.

### 3. Another key concept in business marketing is "joint demand."

At its most basic level, "Product A" is bought in conjunction and used with "Product B" to enhance "End Product C." On a larger scale, say that a certain automobile has 12,000 parts. A high percentage of components are purchased from suppliers. Each unit must fit specifications and be integrated with materials from other companies. If a critical part was suddenly not available, thousands of other products would not be needed—at least in the short run.

So if a key co-supplier goes out of business, your sales conceivably could be threatened if the customer has to find another source of supply and your "Product A" doesn't interface with the new "Product Z."

### **Counterpoints...**

1. Over the past decade, business marketers have become much savvier about the ripple effects of derived demand. More keep a finger on the pulse of ultimate consumer spending. More make speedy adjustments to staffing levels and programs when times get tough. Few tilt at windmills in declining industries. Witness the volumes of advertising in trade publications serving growth industries (computers or healthcare) versus struggling industries.

Great opportunities, however, can be found in tough times. Numerous studies have shown the benefits of continuing and even expanding marketing efforts during full or industry-wide recessions. Those who can afford to do so are bound to gain ground, as competitors become invisible in the marketplace. With a little bit of luck and great timing coming out of a period of low demand, a company can greatly increase revenue and market share as prospects start buying again after a belt-tightening period.

### 2. Most consumer marketers brand *products*.

Business marketers, in part because of "deferred demand," put more emphasis upon corporate branding. After all, if the industry you serve has long customer buying cycles, it's almost pointless to invest heavily in branding a product. The latter will be obsolete by the time many prospects are ready to buy.

The blurring pace of technological change is why leaders such as Intel and Compaq rely on both corporate and product branding in their consumer and business marketing programs. Through building and maintaining a great corporate brand, they're best positioning themselves for future product sales. Through great product brands, they're building today's revenue.

As many business marketers have gone back to basics and trimmed less-than-wonderfully-profitable products and services, will they run afoul of "joint demand"?

Say you're the client and the car you've designed has 12,000 parts. You certainly don't want to deal with 12,000 vendors. You want to deal with a few who, aggregately, can meet most of your needs. That's why, even when some products or services did not meet corporate profit objectives, many vendors maintained full lines.

Having gaps in the overall offering opens doors for competitors. Sales are lost, overhead is spread across a smaller base, and the profitability of once strong products and services is undermined. This can start a vicious spiral of decline that explains, in part, why so many companies continue to slide after "process reengineering."

## **Concentration of Markets**

### ***Points...***

1. Business markets tend to be tightly concentrated in size, scope, and geography as compared to the expansive nature of most consumer markets.

The makers of the Stealth bomber have only one client. While probably adding a few places to visit over the past 30 years, an auto parts manufacturer can still make a living by knowing the way to Detroit.<sup>4</sup>

In consumer marketing, on the other hand, Coca-Cola and McDonald's can sell their products anywhere in the world.

2. While having fewer potential clients, individual purchases are typically far larger in business than in consumer markets.

One can't pity the defense contractor with one client when each order generates billions in revenue. That's a far cry from the local fast-food restaurant trying to make operating margins while offering a 99-cent menu.

### ***Counterpoints...***

1. Not all business markets are tightly concentrated or large in dollar volume. Hardware and software manufacturers sell products to businesses throughout the world. Similarly, nails for industrial use may be purchased at pennies apiece.

Conversely, not all consumer markets are large in scope or small in dollar volume. A cleaning service may earn all of its revenue selling to consumers within a five-mile radius. The car of her dreams may cost over \$50,000.

Part of the promise of niche marketing through new technologies involves flipping over the existing paradigm by reaching widely dispersed segments each with relatively small overall dollar volumes. Before, it was logistically and financially impossible to meet their needs. Today, it can be done rather easily and very profitably.

2. The "narrowness" of most business markets allows for unusually close relationships between buyers and sellers.

With purchase-service cycles in some environments running 10 years or longer, supplying and purchasing firms often share a common destiny. This is one reason why vendor selection can be a lengthy process akin to courtship.

As relationships mature, "source loyalty" will ideally result. The buying firm has faith in supply availability, prompt delivery, and service. It is very disinclined to switch.

Sellers get comfortable, as well. Many rely upon a few huge contracts for survival and become part of the client's team. There are two-way flows of information. Products are made and modified on a user-by-user basis, often at the behest of client firms.

Relationships between buyers and sellers in consumer markets are much more random and capricious, often whimsical and despite product or service satisfaction (e.g. "My Toyota was a great car but I really want to buy a red Ferrari this time.").

## **Segmentation and Buyers' Criteria**

### ***Points...***

1. The bases of consumer segmentation are demographics and psychographics.

In business marketing, macro- and microsegmentation are often

used. The former centers on NAICS category (industry), company size, geographical location, and organizational structure (e.g., centralized, regionalized, or localized purchasing.) Characteristics of the organization (e.g., innovative, laggard, etc., in adopting new systems, approaches, or technologies) and the buying situation may also be used.

Microsegmentation focuses on the characteristics of decision-making units within each macrosegment. Factors include buying-decision criteria, perceived importance of the purchase, and/or attitude toward vendors. Creative marketers also use benefit segmentation.

However it's done, finding and exploiting the right niches are the foundations for success. Failing to do so is the precursor to failure. If you can't clearly define your market and how you will meet its needs, you won't be able to develop products and services that will sell.

Great segmentation work can also give a company the strategic flexibility to shrink or broaden its markets, sometimes simultaneously. In making the first maneuver, the firm focuses on profitable segments. In the second, it re-combines those niches into a larger whole.

**2.** Getting to know the customer also means understanding his or her criteria for buying.

In business markets, considerations typically include value (quality/price), service, reliability, delivery (JIT, continuity of supply), technical sophistication and innovativeness, proximity, interactive contact (previous dealings, reciprocity, etc.), legal, accounting/tax considerations, and degree of fabrication.

Consumer marketing is much more directed at vanity (Will it make me look better? Feel younger? Attract the opposite sex?), the pocket-book, necessities such as food, and lifestyle.

### **Counterpoints...**

**1.** Traditional business segmentation may be missing far too many important modern-day factors.

How do you find knowledge workers within an organization? What about telecommuters? Would demographical information about key buying team members be helpful? Maybe even psychographical data? Is the prospect organization "innovative"—one of the first to try new products, services, and technologies? Or is it a laggard in doing so?

On a small scale, the very best sales representatives have a mental file with some of this information stored. Today, interactive technology offers tremendous promise in answering the above questions. It should be fairly easy to capture names and some basic data about those hitting your web site. The potential exists for building customer and client profiles as good as any owned by consumer marketers.

**2.** What role does "Source Effect" have in influencing buyer criteria? This rather intangible concept involves the marketer's reputation or lack thereof. No matter how great your products and services are and no matter how well you communicate them, you won't sell much without a good corporate name.

Those in business-to-business environments who "pooh-pooh" corporate communications and branding should give pause. To me, except in unusual circumstances, such programs should be well established and effective before even thinking about product/service efforts.<sup>5</sup> Many of the emotional factors involved in buying criteria—status, reward, perceived risk, security, and fear—are enhanced or allayed by perceptions relating to the potential vendor.

## **Organizational Structure**

### ***Points...***

1. Business purchasing is often the result of committee decisions emanating from buying teams or centers. Those involved play different roles in the process.

There are initiators, gatekeepers, influencers, users, deciders, and purchasers. Within the consumer buying household, the roles are typically divided between no more than two people.

2. Different decision-makers in the purchasing organization have different objectives and goals.

If upgrading PC's, for example, the finance director will likely focus upon price and terms. The operations chief will be most concerned about installation and service. Users will be interested in features and appearance. The IT head will think about integration with existing equipment and product life span (obsolescence). The general manager will want to hear about improved productivity and ROI.

Individual or family purchases are usually based on a couple of objectives that form a singular purpose (e.g., "We'll buy this white patio furniture now because it's on sale and we'll need it when we have our friends over this summer.")

### ***Counterpoints...***

1. Are business marketers straying from the ideal of tailoring messages to members of prospect buying teams?

The very best direct sales and database marketing were—and should still be—aligned with the task of speaking the language of the receiver. Intelligently orchestrated advertising programs did—and still should do—this complex job through media selection.

A great challenge for business marketers using Internet pages and technologies such as CD-ROM is to find ways to create target-specific messages to diverse buyers within prospect organizations. Today, most home pages treat all visitors equally. This is a formula for failure if we understand organizational structure and the diverse objectives of those on buying teams.

Integrating traditional and new media (e.g., distributing your CD-ROMs by mail under a target-specific cover letter or reminding newsletter readers to check your Internet page on a certain date for specific information) may be a partial fix to the problem.

But the real breakthroughs will come with de-massification of the new media, in which specific messages can be conveyed to each individual in the audience. Today, it should be fairly easy today to build home pages that would allow typical buying team members to find tailored messages. Tomorrow, one-on-one messaging will somehow need to be addressed.

2. Everyone does not use technology. In fact, it could be that key decision-makers in many corporations are the least likely to see your Internet page and pop a CD-ROM into a PC.

As technology continues to diffuse and becomes more routinely used at all levels of organizations, this will become less of a concern each year. In the meantime, though, many sales are lost because ultimate decision-makers aren't being reached by marketing efforts. Closing this gap will pose a great challenge as we enter the "Communications Age."

## Buying and Selling Processes

### Points...

1. When buying or selling products and services, businesses often go through parallel rituals:

#### Buying Organization

1. Anticipate or recognize a need and determine the general characteristics of product/service required.
2. Search among and identify potential providers.
3. Invite potential suppliers or vendors to make proposals, finalize the budget.
4. Pull the buying team together, receive and review proposals.
5. Evaluate different vendors and make the final decision.
6. Install the new product or begin using the new service.
7. Establish procedures for maintaining product inventories, measure quality.
8. Formally evaluate the vendor.

#### Selling Organization

1. Gain knowledge of targets, use sales or some form of communications to make sure key prospects are aware of you.
2. Make formal contact, qualify the prospect.
3. Develop the sales strategy, organize the justification, calculate expenses, set price.
4. Pull the selling team together, make the presentation.
5. If selected, close the sale (sign contracts, etc.).
6. Organize operating, support, technological, and/or customer service personnel.
7. Build inventory, make replacement parts available, monitor performance.
8. Nurture the relationship.

For consumer products and services, the buying process has many configurations, most of which are fairly simple. Typically, it involves identifying the need, gathering information about alternatives, and making the purchase. The selling process is usually less complex than in business-to-business marketing but may involve several intermediary channels.

2. Sales concepts used in business marketing differ from those used to move consumers to buy. In the former, techniques include:

**"Strategic Selling"**—This approach recognizes that the most important part of the sale begins long before the initial presentation. It involves doing everything possible so that the salesperson gets before the right people with the right message at the right time. Communications plays a vital role by disposing of the needed missionary work. Gaining brand awareness, understanding the "w's" of the selling organization, and establishing the features and benefits of key products/services in the minds of prospects can be included under the umbrella of "Strategic Selling."

**"Consultative Selling"**—The salesperson learns the ins and outs of the client's business and is able to add value to the process. Efforts seek to build a lasting relationship between the two companies, not merely on closing a one-time sale. The seller's focus is not so much on pitching product/service benefits, but on helping the client find ways to increase profitability. By so doing, the belief is that a rising tide lifts all boats—especially the one in which the consultative seller rides.

**"Team Selling"**—Introduced by technology marketers, the concept involves the seller bringing together personnel from his or her company whose specialties match key buying influences in the prospect's firm. This approach closes knowledge gaps, addresses operational issues early in the cycle, and can help shorten the buying/ selling process.

**"Systems Selling"**—This is another approach brought to the forefront by technology marketers. The idea is that you're not selling a personal computer but instead filling a client need for an integrated information system that increases productivity and knowledge sharing. The augmented product might include advice in laying out physical facilities, training of client employees, and service after the sale.

**"Relationship Management"**—Generations ago, successful business marketers recognized that involvement with a client began, not ended, with the actual sale. It's still true today. How well a company performs in this stage impacts the length of the relationship. Those who manage this phase well reap the greatest profits since it is usually more revenue productive and less expensive to sell to existing customers.

**"Negotiation"**—A business sales rep plays an important "boundary role," balancing his or her company's best interest with that of clients. What is sought is a "win-win" outcome in which both parties benefit from the transaction. Ideally, a quasi-partnership emerges in which the seller and buyer integrate strategies to strengthen their individual market positions and bottom lines. In contrast, traditional selling featured "compromise." Here, both parties gave up something—a "lose-lose" outcome.

In consumer marketing, historically, efforts were typically built around advertising and promotion. In many environments, sales were based on one-time transactions. Today, savvy marketers are increasingly realizing the value of ongoing relationships with customers.<sup>6</sup> Many use databases to capture relevant information. Some are conducting interactive dialogs on wants and needs through the Internet.

### **Counterpoints...**

1. While the core processes of buying and selling in business marketing have pretty much remained the same over the past decade, there are rumblings that could portend great change in the future.

To give two examples, Dell and Cisco have sold billions via e-commerce. The paradigm used is very similar to that of many consumer marketers—raise awareness, make it easy to purchase on-line, provide near-instant gratification (what you ordered is available in days), and offer great service and support.

But how many business marketers can sell in quantity via e-commerce? The answer depends upon how many can get two things right—content and context.

Content is the easy part and may be as simple as building a great web page. Though, as evidenced by what's out there, doing so is trickier than it seems.

Context is the hard part. It involves deeply understanding how a particular industry works and how e-commerce can serve that industry. At its highest level, context could mean building websites that aggregate buyers and sellers to facilitate decision-making.

Going back to steps two through five of the buying process, product or service selection follows a thorough review of alternatives. Are choices aggregated and easy to find today? No, they're not.

In our industry, trade publishers are in great position to become independent, third-party sources of comparative information. But they have obvious reasons for not doing so.

Ultimately, more and more firms may use modified "comparison advertising" approaches to show differences between their products/services and those of competitors.

Another future: What if a company could truly "mechanize" the selling process? Maybe it could use traditional media to build aware-

ness; web pages and CD-ROM's to provide in-depth information in the middle phases of the buying process; desktop video (or, in the near future, telecomputing) to close the deal; e-mail to send and modify proposals; and Webzines to keep customers sold. Welcome to 21<sup>st</sup> century marketing. Then watch out for Corporate America's next assault on its workforce—further slashing sales costs. For most companies, it runs from 15 to 30 percent of total expense—a big target if times get tough.

2. The greatest area for improvement in both consumer and business marketing over the next decade may involve relationship management. Proof: Across virtually every industry, customer satisfaction scores are steadily declining.

Stripped down staffs, inexperienced personnel, limited training, sloppy service, and an inability to manipulate captured data are among many symptoms of the illness. Since "nurture the relationship" is the last step in the sales cycle, it's the easiest to forget. With an emphasis on making numbers today, one can fall pretty quickly into what I call the "Scarlett O'Hara Trap" ("Tomorrow is another day." i.e., Let's make our numbers today and hope that the future takes care of itself.)

Smart marketers know that keeping customers sold is the key to long-term profitability and viability. They know to apply more resources to this last, but perhaps most important, step of the sales cycle.

Looking ahead, if selling indeed becomes more mechanized, creative uses of databased information and e-mail may join the Internet as some of the tools used in managing relationships successfully.

3. For business marketers, understanding buying/selling cycles unravels a lot of mysteries.

Say that a sales support brochure is to be used by representatives when making initial calls. It's logical, then, that copy should be more general than if the literature was to be used later in the cycle. Emphasis should be on the company, its capabilities, plus benefits and features of key products/services. For materials used later in the cycle, the emphasis should shift to addressing operational issues, connectivity or fit with current systems and applications, and customer service promises.

A logical move, as referenced above, is to use traditional media to draw people to your web page where you can provide more information. From there, interested parties can request your CD-ROM crammed with every imaginable piece of relevant information one could ever desire.

## **Buyer Behavior**

### ***Points...***

1. Most consumer purchases are based on "wants." Most business purchases are based on "needs."

2. Consumers are more likely to take greater risks than will business buyers. The former can take defective products back to stores in 30 days or routinely get refunds for poor service performance. In business, "post-purchase dissonance"—the effects of a bad decision (i.e., it doesn't work, it doesn't fit, etc.)—can have a negative effect on the individual, productivity in his or her organization, and the bottom line.

### ***Counterpoints...***

1. As disposable family income (in real dollars) sputters, consumers are able to fulfill fewer "wants." This softness in purchasing power may greatly impede the dissemination of many of the new technologies

banded about in the media.

At the same time, an increasing number of business buyers can indulge "wants." Evidence for this change is quickly gathered by making a few trips to professional sporting events. It's not consumers who hold the bulk of season tickets. It's not consumers who rent luxury boxes.

2. To succeed in e-commerce, successful brand building becomes more important than ever before.

Dissonance is and will be a very serious obstacle to overcome in using new technologies to sell to business. For those who predict a decline in advertising as a result of e-commerce, it could be argued that the former may be especially vital to the latter (see appendix 2 for evidence of the staying power of traditional media).

Advertising is still the best brand-building vehicle. Without a recognized name and reputation for quality, e-commerce efforts are likely to fail.

## **Buyer Characteristics**

### ***Points...***

1. For new purchases and complex modified rebuys, business buyers are usually technically qualified. They're more logical in weighing alternatives, options, long-term operational implications, costs, payment terms, and the like.

Consumer buying is more emotionally driven.

2. For many routine purchases and straight rebuys, businesses have experienced purchasing agents whose job is to evaluate suppliers, seek quality and service improvements, and minimize expense to the organization.

Consumer buying is far less process oriented.

### ***Counterpoints...***

1. If all business decisions were the result of logical thought (and if all operating environments were created equal), everyone would reach the same conclusion. That there are multiple vendors shows the imperfect nature of logic in business decisions.

Then there's the emotion of loyalty. It can be such a strong influence that a new product with innovative features, a lower price, and pain-free switching just might not be able to budge an entrenched competitor from a prospect's business.

Bottom line: Logic will only get you so far.

2. At the same time, intelligent consumers are becoming increasingly logical and process-oriented in buying. This is largely due to readily available information.

Take those who bought automobiles on-line last year. These men and women have very complete information on makes, styles, features, options, and price before making a decision. In fact, their decisions may be far more logical than those of a corporate purchaser with years of experience.

## **Functional Interdependence**

### ***Points...***

1. All departments within the organization of a business marketer must function as a team.

After all, buyers are knowledgeable and expect the highest level of performance. They've typically purchased not just a product or service but the capabilities of an entire organization.

In addition, the relationship between counterparts in the two organizations is close and interactive during and after the sale. Products and services are typically tailored to client specifications and heavily augmented, pushing the seller to be in a constant mode of adaptive response. Most successful business marketers have long been involved in "mass customization."

The net effect is that everyone in the vendor's organization must be customer oriented and marketing directed.

In consumer marketing, a product can be manufactured halfway around the world. Workers in that factory will have no contact with other parts of their organization or customers. The only people who have to be customer oriented are those in the marketing department and ad agency.

2. That there is a high level of cross-functional awareness within the seller's organization can result in an inward focus. This can be both helpful and harmful.

In proper doses, an inward focus gives all members of the organization a thorough understanding of competencies and capabilities. The business sidesteps customers or projects that don't fit.

In "too-heavy" doses, though, politics become pervasive. A business that spends 80 percent of its time on internal issues cannot successfully compete in the long run against those who focus on markets, customers, opportunities, and new technologies.

But it may survive for years or even decades because of the strength of its original position or buyer behaviors such as loyalty and inertia.

Consumer marketers who are inwardly focused are usually put out of their misery pretty quickly by customers—or lack thereof.

### **Counterpoints...**

1. Changes in the environment over the past decade have lessened much of the old person-to-person interaction between business marketers and clients. Much of the problem is that people in vending organizations barely communicate with each other.

Stripped-down functions left survivors with little time to interact with co-workers, especially those in other departments. The destruction of middle-management ranks wiped out vital links between senior management and the rest of the organization. Plus, these days, it's too easy to rely on formalized e-mail exchanges when what's needed is more face-to-face communication.

The problem may become exacerbated as technology becomes pervasive. "Mechanized Selling" will allow engineering and manufacturing to be far removed from marketing. This is already true in many high-tech companies. Telecommuting, as it increases, will decrease "water cooler" exchanges of information. If a byproduct of the diffusion of technology is a breakdown in functional interdependence, businesses will suffer.

As noted above, successful marketers know their operations. Tight-knit organizations are usually cauldrons bubbling with energy and ideas (Someone in service hears a customer state a need. She runs it by the operations manager. He checks with the appropriate sales representative. She calls the marketing manager. A team is pulled together.) Lose this and a business loses much of its energy.

2. The oil that keeps the business operation running is informal

communication. An immediate challenge—and one that will take ever-increasing importance in the Communications Age—will be improving the quality of formalized communications and finding ways to enhance the informal kind.

One far-too-simple yet effective definition of marketing involves knowing the capabilities of your business and understanding the needs of the market—and then bringing the two together. While pretty basic, this statement is far better than many elegant and elaborate ones that leave out a very important part of the equation. That is, knowing "yourself." Without self-awareness, blindly following what customers and prospects say they want is about the same as writing yourself a prescription for pain. If you can't produce it, can't perform it, and can't make money at it, trying to create a product or service to meet even the neediest of needs won't make for a healthy bottom line.

On the other hand, knowing what you can do and meshing these strengths with true market opportunities is a powerful formula for success. It doesn't happen unless everyone in the organization is on the same page. That's where internal communications and training come into play.

## **Research**

### ***Points...***

1. Traditionally, business-to-business and consumer research methodologies have been fairly similar. Various qualitative and quantitative techniques were used to identify segments; determine needs, attitudes, opinions, or satisfaction; and find out the underlying reasons as to why your product or service or that of a competitor was chosen.

There were differences, to be sure. Business-to-business research had a higher degree of complexity because of the multiple influences involved, each with distinct and different buying criteria. The resulting dynamic, unique to every purchase, was hard to quantify. Data could be difficult to obtain because neither buyers nor sellers wanted to "go public" with too many facts and figures. Smaller universes led to reliance on qualitative techniques that have greater margins for error. There was an over-dependence on secondary sources.

All in all, though, techniques such as focus groups and in-depth interviews served the needs of consumer and business-to-business marketers alike.

2. The biggest research problem facing business-to-business marketing communicators was—and is—the difficulty in measuring program or project success.

Many have tried to build fancy ROI models. Others have come forth with studies showing how communications helped increase sales for a few products in some small segment of an industry. Ad readership studies gave the experienced professional valuable benchmarking information but couldn't pinpoint the impact on sales. All were noble efforts but fell far short of providing convincing proof to senior management.

There are times, such as when the goal of a direct marketing program is to produce leads, when business marketers can measure with confidence. But it doesn't happen too often.

Much of the difficulty goes back to the complexities of the buying and selling processes. Many other people, policies, and practices impact whether or not a sale is made. Maybe the communications are great but the price is too high. Perhaps delivery can't be fast enough. Maybe the "gee-whiz" product championed by the CEO is a dud in the marketplace.

It could be that consumer demand is off and the effects are about to be felt by your customers. Or, when all is said and done, the primary decision-maker in the prospect's firm simply likes your competitor better.

Business-to-business communications don't work in a vacuum. They're influenced by everything in the environment. They're only one part of an elaborate mix.

Being able to measure results is much easier in consumer marketing. Advertising and promotion are much more directly linked to sales. A department store knows right away if the President's Day Sale worked. A direct mail package either pulls or it doesn't—and you know the answer in a few weeks after it's sent.

### **Counterpoints...**

1. Traditional research changed greatly as technology marketers came knocking on the door with special needs.

No longer was it enough to ask people what they wanted. When it came to technology, they didn't know. No longer could you survey the market then create a product or service to match needs. With technology, the product often came first.

The research challenge was often to find out who might use it and how. Services changed accordingly.

Because of "speed-to-market" requirements in today's world, more and more traditional business-to-business firms are following the lead of technology companies. Product development cycles that used to take years to implement are a relic of the past. Now, launches can be completed from start to finish in a few months.

Research services have once again adapted. Ideas such as Interactive Voice Response (selected participants call an '800' line day or night at their convenience) and Internet Focus Groups are exciting new ways to gather data and opinions.

Consumer marketers, whose target audiences are increasingly more difficult to reach because of busy schedules, are beginning to use these tools as well.

2. Measuring the effectiveness of new communications tools such as web pages is relatively easy and routine. In fact, business marketers may finally have the "silver bullet" of proof they've been seeking for most of the 20th century.

It's simple: Prospects and customers either click on your home page or they don't. Find out who they are and database their names. Link new or incremental sales to the names. And write the report.

To be sure, the sales variables outlined above still exist. But we are much closer to being able to link business-to-business communications to sales results than ever before. It sure beats expecting busy executives to clip coupons or fill out post cards.

## **Communications**

### **Points...**

1. There long have been very distinct differences between consumer and business-to-business marketing communications. Traditionally, these included:

**Commitment:** In consumer marketing, depending upon the industry, spending on communications can consume five to 25 percent of gross operating revenue. In business marketing, only a small percentage of companies spends more than two percent.

**Strategic Imperative:** In consumer marketing, the task of commu-

nications has been to reach large numbers of individuals and households. To do so, emphasis was placed on advertising. In business marketing, the task has been to influence professional buyers and decision-making team. To do so, emphasis was placed on personal selling.

**Promotional Mix:** In consumer marketing, advertising has been the most important medium followed by promotion and personal selling. Pull strategies were used to bring the consumer through the entire adoption process. In business marketing, personal selling has been the primary vehicle. Advertising and sales promotion did missionary work (i.e., background information about the company, its products/ services, etc.) created a positive aura, and reached hidden buying influences.

**Advertising Media:** In consumer marketing, television, radio, newspapers, magazines, and billboards have been widely used. In business marketing, publication and directory advertising have been front and center. Direct mail served both as an advertising and promotional medium.

**Promotional Media:** In consumer marketing, tools have included POP displays, contests, inserts, in-store demonstrations, and samples. Business marketers have catalogs, trade shows, and specialty items among their resources.

**Themes:** In consumer marketing, themes generally have been built around emotional rather than rational factors. The opposite has been true in business marketing.

**Copy Length:** Business-to-business writing has typically been much longer and more detailed than messages aimed at consumers. For both, the oldest rule of thumb is still the best. That is, copy should be no longer than it needs to be—whether that's two ("On Sale"), 200, or 2,000 words. The "MTV Generation" will not tolerate excessively wordy copy in advertising and promotional materials (if you've made it this far, you'll agree that length is not a factor in white papers, books, etc.)

2. Consumer marketing has long been aimed at mass audiences. Business marketing has long been directed to niches, segments, and/or specific job titles.

### **Counterpoints...**

1. Communicating via the Internet adds an interesting new element to the mix.

Unlike traditional media, there aren't any significant differences in how the web is used by consumer and business marketers. Unlike traditional media, it doesn't fit neatly into a nice little box as an advertising or promotional tool. For that matter, it could be an internal, investor, or public relations medium. And more.

Unlike traditional media which aggressively seeks out the recipient (a commercial appears on television, turn the page and there's an ad, open your mailbox and there's a direct mail piece), an Internet page lies dormant. It's never seen unless selected by someone in the target audience.

In traditional terms, the receiver of an Internet message becomes the sender by initiating activity. The sender becomes the receiver by passively waiting for hits. It's a medium that turns thinking upside down and inside out.

Much of this is fairly obvious. What should also be even more obvious is the greater-than-ever need for Integrated Marketing Communications, especially in business marketing.

For many years, I worked for a corporation that was in both business and consumer marketing, selling both products and services, mak-

ing and using the most sophisticated technology, a multi-national firm with strong local operations throughout the world, and in one of the most privacy-sensitive industries on the planet. Basically, it was every marketing challenge one could ever want rolled up into one job.

In that environment, integrated communications was far more than a nice efficiency. It was absolutely essential. You couldn't say one thing in your advertising and one thing to special interest groups without getting the business in a heap of trouble.<sup>7</sup> So every message not only had to work from but stay on strategy.

Target audiences of this tightly integrated program included customers, prospects, employees, news media, general public, business press editors, trade associations, industry leaders (ours and those serving clients), investors, analysts, academics, strategic partners, vendors, and others.

Add to this kind of complexity the new e-commerce tools that have emerged in recent years. Without program integration, the potential for communications chaos is greater than ever.

Uh oh. It sounds as if a call is about to come for writing massive strategic planning documents. No, those don't work anymore. The speed of markets and the pace of change make the old-fashioned bibles that came out of planning little more than shelf fillers and dust gatherers.

What is needed is smart brand profiling in which all relevant market, company, product, service, and competitive information is stored in a database and updated on a regular basis. A good brand or positioning strategy with buy-in starting at the very top and filtering throughout the organization is vital.

What is also needed is someone in or close to the organization who is able to orchestrate overall strategic direction and oversee each and every communications piece as it is produced.

**2.** Business marketing is still directed to niches, segments, and/or specific job titles. Consumer marketing is increasingly targeted at niches, segments, and/or specific individuals.

## **Is There a Convergence with Consumer Marketing (part II)?**

Overall, the answer is... sort of.

Some things will never really change. For example, the drivers of business demand will always be different than the drivers of consumer demand.

Major corporate new purchases will remain "group-buys" with different people having different wants and needs. Organizational structure and culture will continue having a profound effect on the process. Business buyers will remain far more "risk averse" than consumers, especially with the mega-salaries and incentive programs at stake on the executive floor.

But, in some ways, gaps between business and consumer marketing are narrowing. Business markets will, generally speaking, remain more concentrated. But new technology is opening up a world, literally, of new selling opportunities that would have been unprofitable in the past. At the same time, many consumer marketers are evolving toward focusing on niches, segments, and even individuals.

We're seeing more emotion in business purchasing and more rational behavior in consumer purchasing. The latter, limited by slow-growing purchasing power, is more focused on "needs" than in years past. Business managers have the power, influence, and money to satisfy more "wants" than ever before.

While differences will still remain in how markets are broken down and analyzed, business segmentation is borrowing more liberally from some of the approaches used in consumer marketing. The same is true in research.

The bonds of functional interdependence may be weakening in business marketing environments. This is one area in which convergence may be a negative.

We see fewer differences in communications than in the past. Both consumer and business marketers use the Internet as a tool. The "MTV Generation" has less time to dwell on copy longer than it needs to be. Smart marketers of all stripes see the value of integrating their communications programs not only for efficiency but also for effectiveness.

Many changes in the last few years have been driven by new technologies. What used to be impossible is often fairly routine these days. The effects of Internets and Intranets, almost universal use of on-line information services, widespread access to databases, increasingly powerful PC's, widespread networks, and e-mail on all marketers is just beginning to be felt. Stay tuned. E-commerce will change the way everyone buys and sells.

Out of all this, what's I think is most interesting is that the hottest ideas today—niche marketing, mass customization, developing one-on-one relationships—are being used in both business and consumer marketing. That's because consumer marketers are beginning to borrow long-used basic business-to-business practices. As a business marketer, aren't you glad to know that you were there first? But it's not the old way of doing things. It's a new way—driven by technology and changing at an incredibly fast pace.

## Reading List

The following 10 books offer valuable insights and cover some of the topics presented in this paper in far greater depth. Three others are referenced in the footnotes, one by Michael Porter (#4) and two co-authored by Don Peppers and Martha Rogers (#6). All should stand the test of time.

I strongly recommend reading:

Peter M. Chisnall, *Strategic Business Marketing*, Prentice Hall, 1995 (a British and European perspective on the subject).

Robert W. Haas, *Business Marketing: A Managerial Approach*, South-Western College Publishing, 1995.

Michael D. Hutt and Thomas W. Speh, *Business Marketing Management: A Strategic View of the Industrial and Organizational Markets*, Harcourt Brace & Company, 1997.

Theodore Levitt, *The Marketing Imagination*, The Free Press, 1986.

Chuck Martin, *The Digital Estate: Strategies for Competing, Surviving, and Thriving in an Interneted World*, (McGraw-Hill), 1996.

Michael E. McGrath, *Product Strategy for High-Technology Companies: How to Achieve Growth, Competitive Advantage, and Increased Profits*, (Irwin Professional Publishing), 1994.

Regis McKenna, *Relationship Marketing: Successful Strategies for the Age of the Consumer*, Addison-Wesley Publishing Company, 1993.

Don E. Schultz, Stanley I. Tannenbaum, Robert F. Lauterborn, *The New Marketing Paradigm: Integrated Marketing Communications*, NTC Business Books, 1992.

Don Tapscott, *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*, McGraw-Hill, 1997.

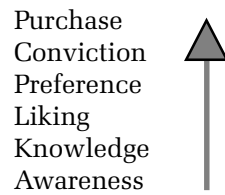
Frederick E. Webster, Jr., *Industrial Marketing Strategy*, John Wiley & Sons, 1995.

All should be available from my favorite bookstore, Amazon.com.

In addition, there are numerous "pop-culture" books on Internet and high-tech marketing, plus glimpses into what lies ahead from well-respected futurists. These kinds of books are not only worthwhile but also fun to read. Since such titles can go out of date fairly quickly, I'll be glad to respond to any e-mail requests for a current list (paulsherr@aol.com).

## Appendix 1: "Hierarchy of Effects"

Developed by Robert J. Lavidge and Gary A. Steiner, Journal of Marketing (October, 1961)



While most often used in consumer marketing, I find what has been called the "ladder" to be a helpful reference point in business-to-business environments. It's beneficial to know, for example, that a high percentage of prospects are either unaware of your company or product or in the early stages of awareness. Then, you can direct a large part of your marketing program dollars to missionary work (establishing credibility, etc.). If you're battling for preference, however, much more competitive messages will likely be used. The typical business-buying process slowly proceeds step by step, inch by inch. In consumer marketing, especially for small-ticket purchases, audiences can move up the ladder quickly.

## Appendix 2: "What Percentage of Business Marketing Budgets Is Spent on Specialized Business Publications?"

From CARR Report 118.6 published by Cahners Business Information, reproduced with permission.

	<b>1996</b>	<b>1993</b>	<b>1991</b>	<b>1989</b>	<b>1988</b>	<b>1987</b>
Specialized Business Publication Adv	27%	22%	23%	22%	22%	21%
Trade Shows	22%	18%	18%	18%	16%	16%
Direct Mail	10%	11%	12%	12%	9%	8%
Promotion/Market Support	7%	10%	9%	10%	12%	2%
Dealer/Distributor Materials	6%	13%	11%	9%	9%	9%
General Magazine Advertising	6%	2%	5%	6%	7%	8%
Internet	6%	na	na	na	na	na
Directories	5%	5%	5%	5%	3%	4%
Telemarketing/Telecommunications	5%	6%	7%	6%	9%	9%
Publicity/Public Relations	5%	5%	5%	7%	7%	7%
Market Research	3%	5%	4%	4%	5%	5%
Other	--	2%	1%	2%	1%	1%

In this ongoing research effort, budgeting for Internet-related programs makes its first appearance in 1996. Note that funding for advertising in business publications jumped from 22 percent in 1993 to 27 percent in 1996. The use of general advertising went from 2 percent to 6 percent.

These numbers lend credence to the belief that, at least in the early phases of using the Internet as a communications tool, marketers see that advertising works hand-in-glove with the new media.

### **Appendix 3: What is the Most Cost-Efficient Way to Communicate with Business Decision-Makers?**

From PRO (Penton Research Overview) Report No. 303A published by Penton Research Services in 1997, reproduced with permission.

Here is the average cost-per-contact in 1997 for various business marketing tools:

\$ 227.00	for personal sales calls
\$ 162.00	for trade shows
\$ 31.16	for telemarketing
\$ 13.60	for business letters
\$ 1.68	for direct mail
\$ 0.98	for Internet
\$ 0.32	for advertising in specialized business publications

## Notes

1. In the context of this paper, Relationship Marketing is defined as a close, ongoing, one-on-one interaction with prospects and clients for the purpose of making a sale. Relationship Management refers to the processes that occur after the sale to keep customers sold. Others give Relationship Marketing a more expansive meaning. Some use it to describe Strategic Alliances or when discussing Strategic Integrated Marketing Communications. The latter involves targeting messages to audiences that influence or affect the company's business environment – the market; distribution channels; trade, business, and general media; thought leaders; industry analysts and the investment community; academia; competitors; and others.

2. This is known as the Acceleration Effect.

3. This is known as the Whiplash Effect.

4. To really get into this subject, and it is interesting, read Michael Porter's *The Competitive Advantage of Nations* (The Free Press, New York, 1990). It's a superb analysis of why certain industries are attached to certain nations (Germany and printing presses; Italy and shoes) or regions within nations (Silicon Valley and technology; Grand Rapids and office furniture).

5. Others say the opposite and, in some cases, I would agree with them. In a "start-up" environment, for example, it's hard to have a great corporate image without at least one great product (or service). The latter will define the former. Another mind-changing case might be a high-tech company with a steady stream of new products and the budget to promote them. Or if a company is so tightly focused that it's known for one product, branding at that level seems logical. It's also true, in the final analysis, that a company is known by the overall value of its products and services. So which comes first, the chicken or the egg? The original point is that most business marketers are established. They offer numerous products and services. An enormous budget would be required to support each properly. Many or most will be augmented to meet specific customer needs, so it's nearly impossible to define what the product or service is or isn't in exact terms. The pace of change is rapid. Budgets have very finite limits. In this real world, branding at the corporate level becomes pretty logical in most cases. New or featured products and services tuck in nicely under this safe, secure umbrella.

6. For more on one-on-one, customer-focused marketing approaches, I suggest the writings of Don Peppers and Martha Rogers, Ph.D. Two of their books on the subject are, *Enterprise One to One: Tools for Competing in the Interactive Age* (Currency/Doubleday, 1997) and *The One to One Future: Building Relationships One Customer at a Time* (Currency/Doubleday, 1997.)

7. This does not conflict with the earlier emphasis on tailoring messages to certain microsegments on the prospect's buying team. There, we were talking about copy points—talking to financial people (lower costs) and IT managers in their languages (e.g., cutting-edge technology), for example. In talking about Integrated Communications, the focus is on maintaining a consistent overall message from a strategic platform. Using a very simple example, you couldn't tell analysts that your new product is premium-priced and the marketplace that you're the low-price leader without problems resulting.